

Message Text

CONFIDENTIAL

PAGE 01 TEL AV 05364 222002Z
ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 SP-02 ICA-11 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 L-03 H-01 PA-01 AGRE-00 DOE-15
SOE-02 (ISO) W
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FM AMEMBASSY TEL AVIV
TO SECSTATE WASHDC 2742
INFO AMEMBASSY AMMAN
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMEMBASSY JIDDA
AMEMBASSY LONDON
AMCONSUL JERUSALEM
USMISSION USUN
USMISSION SINAI

C O N F I D E N T I A L TEL AVIV 5364

E.O. 11652: GDS
TAGS: ELAB, IS
SUBJECT: EHRLICH AND MESHEL AGREE ON WAGE PACKAGE DEAL FOR PUBLIC
SECTOR.

REF: TEL AVIV 5065, 4977, 5318

1. APRIL 21 MORNING HEADLINES GREETED WITH RELIEF
THE WAGE PACKAGE AGREEMENT REACHED THE EVENING BEFORE
BETWEEN THE TWO "GENTLEMEN FROM PINSK," FINANCE MINISTER
EHRLICH AND HISTADRUT SECRETARY GENERAL MESHEL. THE
AGREEMENT WAS CLEARLY A TRADE-OFF BY THE GOVERNMENT
ASSIGNING HIGHER AND MORE IMMEDIATE PRIORITY TO
POLITICAL AND SOCIAL STABILITY AT THE EXPENSE OF ITS
ECONOMIC STABILIZATION PROGRAM. ALTHOUGH EHRLICH'S PRAISE
CONFIDENTIAL

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PAGE 02 TEL AV 05364 222002Z

OF THE AGREEMENT AS ANTI-INFLATIONARY WAS RATHER TRANS-
PARENT (TEL AVIV 5318), HIS ACCEPTANCE OF MOST OF THE
HISTADRUT'S KEY DEMANDS REFLECTED HIS AWARENESS THAT
HE NEEDED THE COOPERATION OF MESHEL AND HIS LIEUTENANTS
FOR CHECKING EXCESS WAGE DEMANDS AND THAT AS THE PRICE
FOR SUCH COOPERATION HE WOULD HAVE TO COMPROMISE ON HIS
ECONOMIC PROGRAM IN ORDER TO MAKE THE THREAT OF INDUSTRIAL

AND SOCIAL UNREST MORE MANAGEABLE.

2. ALTHOUGH THERE HAD BEEN INDICATIONS FOR SEVERAL WEEKS NOW THAT THE GOVERNMENT WAS PREPARED TO MAKE CONSIDERABLE CONCESSIONS TO THE HISTADRUT TO OBTAIN A GENERAL WAGE AGREEMENT FOR THE PUBLIC SECTOR, IT HAD TO DELAY FORMAL AGREEMENT UNTIL SUCH DISTURBING STRIKES AS THOSE OF THE SEAMEN, THE JOURNALISTS AND THE AIRLINE EMPLOYEES COULD BE BROUGHT UNDER CONTROL. THUS BOTH MESHEL AND EHRlich COULD DEMONSTRATE THAT THE COOPERATION OF THE GOVERNMENT AND THE HISTADRUT IN CHECKING IRRESPONSIBLE BEHAVIOR OF CERTAIN LABOR GROUPS WAS WORKING EFFECTIVELY.

3. AS WAS TO BE EXPECTED, THE ALIGNMENT PRESS HAILED THE AGREEMENT AS A GREAT VICTORY, BUT GOVERNMENT CIRCLES WERE ALSO RELIEVED AT WHAT BOTH MESHEL AND EHRlich CALLED A "PASSOVER PRESENT." IN LINE WITH THE NOW PUBLICLY CONFIRMED SPIRIT OF COOPERATION, NEGOTIATIONS BETWEEN HISTADRUT AND THE GOVERNMENT ON EL AL WERE ALSO MOVED BACK ON THE TRACKS, AND THE PROSPECTS ARE NOW FOR AN EARLY RESUMPTION OF FLIGHTS AFTER THE WEEKEND.

4. THE AGREEMENT AS ANNOUNCED PROVIDES FOR A 10-15 PERCENT INCREASE TO BE PAID TO ALL PUBLIC EMPLOYEES (7.5 - 10 PERCENT AS OF APRIL 1 AND 2.5 PERCENT AS OF OCTOBER 1); PRICES OF SUBSIDIZED COMMODITIES, PUBLIC
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 TEL AV 05364 222002Z

TRANSPORT, ELECTRICITY, FUEL, WATER AND TAXES WILL BE FROZEN UNTIL OCTOBER 1; DAY CARE CENTER FEES WILL REMAIN FROZEN UNTIL THE END OF 1978; AND THE ADJUSTMENT OF INCOME TAX BRACKETS TO THE NEW WAGE LEVELS WILL BE LINKED 100 PERCENT RATHER THAN THE 70 PERCENT UNDER THE CURRENT AGREEMENT. INCOME TAX FOR SALARY EARNERS IS TO BE REDUCED BY 5 PERCENT AND INCOME TAXES ON OVERTIME, NIGHT SHIFT DIFFERENTIALS AND OTHER PREMIUM PAY LINKED TO PERFORMANCE WILL BE FURTHER REDUCED. A JOINT COMMITTEE WILL BE APPOINTED TO WORK OUT THE DETAILS OF IMPLEMENTING THE AGREEMENT. THIS COMMITTEE WILL ALSO NEGOTIATE PRICE-WAGE POLICY QUESTIONS ARISING AFTER THE OCTOBER 1 END OF THE FREEZE, AND POSSIBLY MAY RENEGOTIATE THE CURRENT COST OF LIVING AGREEMENT WHICH OFFERS SEMI-ANNUAL ADJUSTMENTS COMPENSATING WAGE EARNERS FOR 70 PERCENT OF INFLATION RATE, SHOULD THE CURRENT HIGH RATE OF INFLATION CONTINUE.

5. COMMENT: THE AGREEMENT CLEARLY REFLECTS AN IMPROVISATION EFFORT ON THE PART OF THE GOVERNMENT TO POSTPONE HARD ECONOMIC DECISIONS IN ORDER TO CALM THE PRESENT UNSETTLED POLITICAL AND SOCIAL CLIMATE. NOT ONLY DOES

IT CONTRAVENE THE NEW ECONOMIC POLICY OF LIBERALIZING THE ECONOMY, BUT IT ALSO REVERSES A PREVIOUS GOVERNMENT-HISTADRUT AGREEMENT TO SETTLE WAGE AGREEMENTS IN THE PUBLIC AND PRIVATE SECTOR SIMULTANEOUSLY. EVEN THOUGH BOTH GOVERNMENT AND HISTADRUT CONTINUE TO PAY LIP SERVICE THAT SUCH AN ARRANGEMENT AVOIDS PLAYING OFF CONCESSIONS IN ONE SECTOR AGAINST THE OTHER, IT IS CLEAR THAT UNDER THE NEW AGREEMENT THE GOVERNMENT BUYS TIME TO SPACE OUT NEGOTIATIONS AND ARRANGEMENTS WITH THE MORE MILITANT AND INTRASIGENT LABOR GROUPS. THUS THE SPECIAL DEMANDS OF SUCH GROUPS AS TECHNICIANS, TAX ACCOUNTANTS, TEACHERS, POSTAL WORKERS, ETC., WILL PROBABLY HAVE TO BE DEALT WITH AT A LATER STAGE. THIS DOES NOT MEAN THAT THESE GROUPS WILL ABANDON THEIR EFFORTS TO BREAK THROUGH THE 15
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 TEL AV 05364 222002Z

PERCENT CEILING OF THE GOI-HISTRADUT AGREEMENT. HOWEVER, THE GOI FEELS IN A BETTER POSITION TO RESIST GRANTING OF SUCH DEMANDS IMMEDIATELY WHILE MINIMIZING THE DISRUPTIVE EFFECT OF STRIKES AND STRIKE THREATS. THE CONCESSIONS SHOULD ALSO HELP TO DAMPEN SOMEWHAT THE ONGOING HERUT REVOLT AGAINST EHRlich'S INCOME POLICY.
LEWIS

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